

STATEMENT OF ROBERT H. BINDER, ASSISTANT SECRETARY
FOR POLICY, PLANS AND INTERNATIONAL AFFAIRS, DEPARTMENT
OF TRANSPORTATION, BEFORE THE SUBCOMMITTEE ON WATER
RESOURCES OF THE SENATE PUBLIC WORKS COMMITTEE,
CONCERNING THE REPLACEMENT OF ALTON LOCKS AND DAM,
THURSDAY, JUNE 17, 1976.

Mr. Chairman and Members of the Subcommittee:

Thank you for this opportunity to testify on the proposed replacement of Alton Locks and Dam, known as L&D 26, and on S. 3425 and S. 3506, two bills which deal with this issue.

Let me briefly set the stage for the involvement of the Department with this project. As I am sure you know, in 1969 the Secretary of the Army approved the Corps of Engineers' proposal for replacing the existing facility at Alton with a new dam and two 1200-foot locks. In 1970 and 1974 the Congress appropriated planning funds for that project. Subsequently legal action brought by environmental groups and by railroads resulted in a preliminary injunction on September 2, 1974, that stopped work on the project.

Early in 1975 the Chairman of the Senate Commerce Committee wrote the Secretary of Transportation to express his concern that the Alton Locks and Dam replacement project might

become both a way of, and a reason for, expanding the capacity for navigation on the entire upper Mississippi River system. He asked the Department to review this project and to provide his Committee with an assessment of the existing transportation facilities in the area and the effects of expanding the upper Mississippi waterway navigation system. The Department provided its views on the Corps' proposal in a September 1975 Advisory Report to the Senate Committee on Commerce. Then, early this spring, the Board of Engineers for Rivers and Harbors, having received the previous recommendations of the Corps and having asked for and received various comments on those recommendations, including ours, issued its own Report. We, in turn, have commented on the Report of the Board of Engineers for Rivers and Harbors at the request of the Chief of Engineers. I have a copy of those comments with me and I would be happy to provide it for the record, if you so desire.

In developing our Advisory Report of last September, we decided to focus our efforts on a review and critical analysis of the previous work done by the Corps of Engineers leading to a proposal for a new dam and two 1200-foot locks. Because of the constraints on

time and resources, we were not able to initiate any major new research. A complete benefit-cost analysis of this project, taking proper account of its effects on the entire river system and relative efficiencies of other modes, primarily the railroads, in handling the same traffic, would be a major, multi-year effort.

The conclusion that we reached in reviewing the Corps' analysis, and that we expressed in the Advisory Report, was that the Corps' economic analysis contained weaknesses of sufficient magnitude that no useful inferences could be drawn from it with respect to the economic desirability of carrying out the Corps' recommended project at Alton. Three major problems can be pointed to in this respect. Two have to do with the manner in which the Corps calculated the benefits of the project, and the third has to do with the commodity flow projections.

The heart of the Corps' benefit calculation is an estimate of the difference between rail rates and barge rates for moving the same traffic. DOT does not have any problem with this approach conceptually, provided the costs of operating the waterway system are reflected in the cost side of the analysis (which the Corps attempted to do). Rather, the difficulties are in the manner

in which the rates are calculated and used as surrogates for transportation costs. With respect to rail rates, the problem is simply that the Corps' analysis assumes that rail movements (largely of grain) follow the same route, i.e., the river, as do water movements. Since rail movements manifestly do not follow the same routes as the barges, and since rail routes will, in some cases, reflect shorter distances, the Corps' procedures must, to that extent, overstate rail costs and, hence, understate benefits.

The second difficulty is that, in calculating water movement costs, the Corps' analysis does not include the trucking costs that must be incurred to move the grain from the elevator to the river. Unless the costs of prior and subsequent truck movements are the same for both rail and river and thus constitute a "wash"--which seems on its face highly unlikely--such an approach must result in an understatement of benefits. DOT does not have any clear notion as to how far off the analysis is thrown by these flaws. For this reason it is not possible to draw confident conclusions from the Corps' analysis as it stands.

The third problem has to do with the Corps' 50-year forecasts of commodity flows. Let me say at once that we fully

recognize the near impossibility of accurate forecasting that far ahead in time, and we are not claiming to be any better at prophecy than anyone else. There are, however, a couple of specific problems that give us pause. Both concern the movements of fossil fuels. As you know, there is currently a substantial amount of activity associated with expansion of coal output in the West. The scope and likely impact of this activity was not as apparent when the Corps made its forecasts as it is now. Major coal flows on the river today reflect Mid-Western coal coming to the river by rail or truck and then moving up to utilities in the Midwest and upper Midwest by barge. If Western coal mines were to become larger producers, the present flow of coal from Appalachia and Illinois to the upper Midwest probably would be replaced by movements from the West which would not be likely to use the river.

The commodity flow projections included large petroleum shipments going by barge to various utility companies for electrical power generation. Any substantial shift from petroleum to coal as fuel for electrical generation would, of course, greatly diminish the future flow of petroleum on the river from that which could

otherwise be expected. As noted above, that coal could well come from Western sources so that it would not replace the oil as river traffic.

Again we recognize that uncertainty is an inherent characteristic of any long-range forecast, but we do believe that the two points I just mentioned are ample grounds for wanting to see these factors taken into account in these commodity flow projections before making any final decision on the kind of major expansion of river capacity that two 1200-foot locks at Alton would create.

The Board of Engineers for Rivers and Harbors reviewed the Corps' previous work and the comments in our Advisory Report. It also did some further analysis. In our study of the Report of the Board of Engineers for Rivers and Harbors, we found that the criticisms that I just stated are still applicable and we have so stated in our comments to the Corps. While we adhere to the view that conclusions regarding major investments cannot be drawn from the benefit-cost analysis done to date, we have found that there are persuasive arguments for replacement of the dam and construction of one 1200-foot lock, provided that one accepts the Corps' engineering and engineering cost analyses. The finding of the Corps'

engineering analysis is that the dam at Alton should be replaced. If the dam is to be replaced, a new lock of some size must be constructed. A 1200-foot lock, compared with a smaller lock, adds only a slight increment to the total cost of the dam replacement project. Inasmuch as there are clear advantages in terms of waterway capacity and ease of operation to be gained with a 1200-foot lock, there would appear to be a very strong case for building such a lock once the decision is made to replace the dam.

This analysis brings to the fore the critical role of the Corps' engineering and engineering cost conclusions in the decision now before you. The Corps' engineering studies deal with the extent of the deterioration of the existing dam, with their choices for correcting that deterioration, and with the costs of various approaches to rehabilitation and replacement. It is in this analysis that the Corps finds that the cost of rehabilitation is so close to the cost of replacement that replacement becomes the preferred alternative. Let us examine the impact of this finding on the options.

Fundamentally, we see three choices:

Option 1: Postpone any corrective action until
further major studies are undertaken.

Option 2: Go forward with a new dam and 1200-foot lock but take no action on a second lock without further study.

Option 3: Go forward with a new dam and accept the Corps' justification for two 1200-foot locks.

If we accept the Corps' engineering analysis, we must endorse Option 2. If the Corps' analysis is rejected, Option 1 should be embraced. This Department cannot find any justification for proceeding with Option 3 on the existing record. Option 2 is essentially the approach reflected in S. 3506. Option 1 is the approach contained in S. 3425.

The Department of Transportation does not have a technical basis from which to offer you advice as to whether the engineering analysis done by the Corps in this case should be accepted or rejected. We are aware that there may be some controversy on this point and that some interested parties are prepared to offer strong criticisms of the Corps' engineering judgments, but we are not in a position to evaluate those criticisms. The Department of Transportation would be very pleased to conduct, or participate in, any comprehensive economic analysis or other studies that the Congress

may direct. Please bear in mind, however, my earlier remarks that a complete economic study is a considerable undertaking and could easily require two to three years.

Let me turn now to the question of the potential impacts on the region's railroads of an increase in the river's capacity and the improvements in its operation. I have two points to make in this regard. The first is that, at this time, we do not have any precise idea as to whether these impacts might be great or small. Good estimates on this point can only be developed in the kind of large-scale study referred to previously. The second point is that we must be careful as to how we treat a finding of negative financial impact on the railroads. We are strongly of the view that such a finding, in and of itself, would not be a reason to hold back from any waterway investment that was otherwise found to be in the public interest. On the other hand, because of the potential for such negative impacts, we should be confident that any waterway investment we are contemplating is well justified economically before proceeding with it.

Finally, let me turn to a matter of considerable importance, but one which was outside the scope of both our Advisory Report and our comments on the Report of the Board of Engineers for River and Harbors.

That matter concerns the recovery of public costs on the inland waterway system, i.e., waterway user charges. I doubt if anyone here needs to be reminded that the Administration has taken a strong stand in favor of recovering at least a part of the public expenditures now being made on the waterways. Secretary Coleman in his Statement of National Transportation Policy made clear that recovery of these costs stands high on his personal list of goals. To have private firms operating profitably with some very large portion of their costs being borne by the general taxpayer is an inequitable and inefficient arrangement which we should soon start to correct.

As strongly as we hold this view, however, we do not feel that the Alton Locks and Dam question and the user charge issue should become entangled with each other. Waterway improvements that can be shown by objective economic analysis to be in the best interest of the country should go forward without having to wait for a resolution of the inequities now present in the public financial support of the waterways. In the same breath, I urge this Committee and the Congress to address seriously this matter of cost recovery.

In conclusion, Mr. Chairman, the Administration believes that the Congress should defer legislative action respecting the locks and dam at Alton until after completion of the Environmental Impact Statement and the Corps' final report and satisfactory resolution of the questions raised about capacity and costs.

Mr. Chairman, that concludes my prepared statement. Now I will be happy to answer any questions you may have.